

**Subparts D–E [Reserved]**

**Subpart F—Complaints and Compensation for Construction Defects**

SOURCE: 56 FR 40241, Aug. 14, 1991, unless otherwise noted.

**§ 1924.251 Purpose.**

This subpart contains policies and procedures for receiving and resolving complaints concerning the construction of dwellings and construction, installation and set-up of manufactured homes (herein called “units”), financed by the Farmers Home Administration (FmHA) or its successor agency under Public Law 103–354, and for compensating borrowers for structural defects under section 509(c) of the Housing Act of 1949, as amended. Provisions of this subpart do not apply to dwellings financed with guaranteed section 502 loans.

**§ 1924.252 Policy.**

FmHA or its successor agency under Public Law 103–354 is responsible for receiving and resolving all complaints concerning the construction of dwellings and the construction, installation and set-up of units financed by FmHA or its successor agency under Public Law 103–354. FmHA or its successor agency under Public Law 103–354 must determine whether defects are structural or non-structural. If the defect is structural and is covered by the builder’s/dealer-contractor’s (the “contractor”) warranty, the contractor is expected to correct the defect. If the contractor cannot or will not correct the defect, the costs of correcting the defect may be paid by the Government, or the borrower may be compensated for correcting the defect, under the provisions of this subpart. If the defect is non-structural but is covered under the provisions of the contractor’s warranty or independent home warranty, the contractor is still expected to correct the defect. FmHA or its successor agency under Public Law 103–354 will assist the borrower in obtaining assistance through the independent home warranty company’s and/or manufacturer’s complaint resolution process.

However, if the contractor cannot or will not correct a non-structural defect covered under the provisions of the contractor’s warranty, the Government will not pay the costs for correcting the defect, nor will the borrower be compensated for doing so.

**§ 1924.253 Definitions.**

As used in this subpart, the following definitions apply:

(a) *Newly constructed dwelling.* One which:

(1) Is financed with a section 502 insured loan;

(2) Was constructed substantially or wholly under the contract method, or under a conditional commitment, or, as to only work performed by a contractor or covered by a manufacturer’s warranty, under the mutual self-help program;

(3) Was not more than one year old and not previously occupied as a residence at the time financial assistance was granted unless FmHA or its successor agency under Public Law 103–354 has extended the conditional commitment issued on a newly constructed dwelling in accordance with 7 CFR part 3550; and

(4) Had the required construction inspections performed by FmHA or its successor agency under Public Law 103–354, the Department of Housing and Urban Development (HUD), or the Veterans Administration (VA).

(b) *Newly constructed manufactured home (unit).* One which:

(1) Is financed with a section 502 insured loan;

(2) Was not more than one year old and not previously occupied as a residence at the time financial assistance was granted; and

(3) Is built to the Federal Manufactured Home Construction and Safety Standards (FMHCSS) and is certified by an affixed label as shown in exhibit J of subpart A of part 1924 of this chapter.

(c) *Non-structural defect.* A construction defect which does not affect the overall useful life, habitability, or structural integrity of the dwelling or unit. Some non-structural defects may be covered under the contractor’s warranty. Examples of non-structural defects include, but are not limited to: